

Should Arc Resources Ltd. Be on Your Long-Term Buy List?

Description

Arc Resources Ltd. ([TSX:ARX](#)), one of the largest conventional oil and gas companies in Canada, released fourth-quarter earnings after the market closed on February 11 and its stock has responded by rising over 2%. Even after the post-earnings pop, the company's stock still sits more than 25% below its 52-week high, so let's take a closer look at the results to determine if we should consider buying into this rally, or if we should wait for it to subside.

The results that enabled a rally

Here's a summary of Arc Resources' fourth-quarter earnings compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Earnings Per Share	\$0.36	\$0.04
Revenue	\$391.4 million	\$365.5 million

Source: Arc Resources

Arc Resources' earnings per share increased 800% and its revenue increased 7.1% compared to the fourth quarter of fiscal 2013, driven by net income increasing 736% to \$113.7 million and commodity sales increasing 6.8% to \$454.1 million. The company also noted that its fourth-quarter production averaged a record 117,986 barrels of oil equivalents per day, and this was up approximately 17% from the year-ago period.

Here's a quick breakdown of 12 other notable statistics and updates from the report:

1. Produced 37,442 barrels of crude oil per day, an increase of 5.3% from the year-ago period
2. Produced 5,075 barrels of natural gas liquids per day, an increase of 77% from the year-ago period
3. Produced 3,448 barrels of condensate per day, an increase of 33.6% from the year-ago period
4. Produced 432.1 million cubic feet of natural gas per day, an increase of 20.2% from the year-ago period
5. Realized price of crude oil decreased 12.5% to \$72.49
6. Realized price of condensate decreased 16.5% to \$74.04.
7. Realized price of natural gas increased 15% to \$4.15
8. Realized price of natural gas liquids decreased 21.2% to \$32.69
9. Realized price of oil equivalents decreased 8.2% to \$41.78
10. Reported a \$237.4 million gain on risk management contracts compared to a loss of \$18.9 million in the year-ago period
11. Operating income increased 29% to \$64.5 million
12. Paid dividends totaling \$0.30 per share during the quarter for a total cost of approximately \$95.7

million

Arc Resources confirmed a dividend of \$0.10 per share for the month of January, which will be paid out on February 17, and it has conditionally declared a monthly dividend of \$0.10 per share for the months of February, March, and April, with payments expected to occur on March 16, April 15, and May 15.

Is now the time to invest in Arc Resources?

Arc Resources is one of Canada's largest conventional oil and gas companies, and record production and increased sales led it to a very strong fourth-quarter performance, and its stock has responded accordingly by rising over 2%.

Even after the post-earnings pop in Arc Resources' stock, I think it represents a great long-term investment opportunity, because it trades at inexpensive valuations, including just 20.4 times fiscal 2014's earnings per share of \$1.20 and only 18.6 times analysts' estimated earnings per share of \$1.32 for fiscal 2015.

Furthermore, Arc Resources pays out a monthly dividend of \$0.10 per share, or \$1.20 per share annually, which gives its stock a bountiful 4.9% yield at current levels. I think this makes it both a value and dividend investment play today.

With all of the information above in mind, I think Arc Resources represents one of the best long-term investment opportunities in the energy industry, so Foolish investors should take a closer look and consider initiating positions today.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)

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Author

jsolitro

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